

May 2, 2018



Rand Capital Corporation

Rand Capital Announces First Quarter 2018 Results

- *Invested \$450,000 in two follow-on transactions during the first quarter*
- *Net Asset Value per share was \$4.97 at March 31*
- *Progress with expanding relationship with Small Business Administration (SBA)*

BUFFALO, N.Y.--(BUSINESS WIRE)-- [Rand Capital Corporation](#) (NASDAQ:RAND) ("Rand"), a venture capital company which invests in growth businesses with unique product, service or technology concepts, announced its results for the quarter ended March 31, 2018.

Allen F. ("Pete") Grum, President and Chief Executive Officer of Rand Capital, commented, "In the quarter we made two follow-on investments totaling \$450,000. The first was in one of our newer portfolio companies, Centivo, which we started investing in last year. The other was in one of our long-standing holdings, SciAps, in which we have been investing since 2013. Both investments were part of capital raises to support these companies' growth."

During the quarter, Rand consolidated the majority of its investments and cash of its newly formed Small Business Investment Company (SBIC) applicant fund, Rand SBIC II, into its original SBIC fund.

Mr. Grum noted, "We have finalized our strategy with the SBA and have consolidated our SBIC funds as the first step. We can now begin the application process for \$6 million minimum of additional leverage in 2018. We are excited to expand our longstanding relationship with the SBA."

First Quarter 2018 Financial Highlights

- Reported \$4.97 net asset value (NAV) per share at March 31, 2018, compared with \$5.05 at December 31, 2017.
- Supported two current portfolio companies with \$450,000 of investments during the quarter:
 - Centivo Corporation \$200,000
 - SciAps, Inc. \$250,000
- Investment income increased 10.4% over the prior-year first quarter.
- At March 31, 2018, portfolio fair value was \$32.2 million and consolidated cash was \$5.5 million.

Total investment income in the first quarter of 2018 grew to approximately \$363,000, up from approximately \$329,000 in the first quarter of 2017. The \$34,000 increase was driven by the Company's success with focusing investments in income producing instruments. Total

expenses in the 2018 and 2017 first quarters were approximately \$589,000 and \$516,000, respectively.

Selected Portfolio Highlights

- [ACV Auctions, Inc.](#), the leading dealer-to-dealer full-service wholesale online auction platform, reached a major milestone in March selling more than 5,000 units online for a total of more than \$35 million in vehicle inventory sold. The rapidly growing automotive company is increasing vehicle sales at a rate of 400 percent per year, including over 500 new dealer sign-ups per month. ACV Auctions operates and sells vehicles in 52 markets throughout the East Coast and Midwest. By the end of 2018, the company expects to be in over 70 markets by expanding to the West Coast. ACV Auctions' world-class technology modernizes the wholesale auction operation, including title management, floor plan purchasing, arbitration and facilitating the transportation of the vehicles. Rand's initial \$163,000 investment in 2016 has a fair market value of \$282,000 at March 31, 2018.
- [SciAps, Inc.](#) develops portable analytical instruments that identify virtually any compound, mineral or element on earth. The company recently introduced a new Scrapper X-250, which is an X-ray analyzer designed from the ground up to be the fastest scrap sorter in existence. It measures magnesium up to 10 times faster than any other X-ray gun, which is one of the keys to highly accurate aluminum alloy testing. SciAps recently completed a Series D \$10 million financing round, in which Rand invested \$250,000 during the first quarter. This represents Rand's tenth investment in SciAps. At March 31, 2018, Rand's investment in SciAps was valued at approximately \$2.0 million.
- [OutMatch Holdings, LLC](#) is a leader in delivering actionable predictive analytics to build world-class workforces and is transforming the world of work by helping companies hire, retain and develop great talent. The company experienced a breakthrough year in 2017, fueled by the acquisition of a leading culture analytics firm and the launch of its robust new platform. Outmatch gained 60 new clients and its client retention rate was 98% which drove double-digit year-over-year recurring revenue growth. For 2018, the company is developing enhancements to expand its candidate assessment platform, broadening its OutMatch Impact. They recently announced the launch of two new solutions, which include the industry's fastest pre-hire assessment and OutMatch Bridge, an exclusive solution that allows point-and-click integration of assessments into applicant tracking systems. At March 31, 2018, Rand's investment in OutMatch was valued at approximately \$2.1 million.

As of March 31, 2018, Rand's portfolio consisted of 30 active companies. At that date, the portfolio was comprised of approximately 60% in equity investments and 40% in debt investments, compared with 63% in equity investments and 37% in debt investments at March 31, 2017. The change in investment mix reflects Rand's goal to generate sufficient investment income to cover operating expenses.

Webcast and Conference Call

Rand will host a conference call and live webcast today, May 2, 2018, at 1:30 p.m. Eastern Time to review its financial condition and results for the 2018 first quarter, as well as its strategy and outlook. The review will be accompanied by a slide presentation, which will be

available on Rand's website at www.randcapital.com under the "Investor Relations" heading. A question-and-answer session will follow the formal presentation.

Rand's conference call can be accessed by calling (201) 689-8263. Alternatively, the webcast can be monitored on Rand's website at www.randcapital.com under the "Investor Relations" heading.

A telephonic replay will be available from approximately 4:30 p.m. Eastern Time today through Wednesday, May 9, 2018. To listen to the archived call, dial (412) 317-6671, and enter conference ID number 13679104. A transcript of the call will be placed on Rand's website, once available.

ABOUT RAND CAPITAL

Rand Capital (NASDAQ: RAND) provides investors the ability to participate in venture capital opportunities through an investment in the Company's stock. Rand is a Business Development Company (BDC) with a wholly owned subsidiary licensed by the U.S. Small Business Administration (SBA) as a Small Business Investment Company (SBIC). Rand focuses its equity investments in early or expansion stage companies and generally lends to more mature companies. The Company seeks investment opportunities in businesses with strong leaders who are bringing to market new or unique products, technologies or services that have a high potential for growth. Additional information can be found at the Company's website where it regularly posts information: <http://www.randcapital.com/>.

Safe Harbor Statement

This news release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future net asset value growth, investment returns and opportunities as well as Rand's plans for utilizing proceeds from sales of portfolio companies when and if received. These statements involve known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the portfolio companies' markets, competitor responses, and market acceptance of their products and services and other factors disclosed in the Corporation's periodic reports filed with the Securities and Exchange Commission. Consequently, such forward-looking statements should be regarded as the Corporation's current plans, estimates and beliefs. The Corporation assumes no obligation to update the forward-looking information contained in this release.

FINANCIAL TABLES FOLLOW

Rand Capital Corporation and Subsidiaries Consolidated Statements of Financial Position

| March 31, 2018 (Unaudited) | December 31, 2017 |
|---|------------------------------|
|---|------------------------------|

ASSETS

Investments at fair value:

| | | |
|---|---------------------|----------------------|
| Control investments (cost of \$99,500) | \$ 99,500 | \$ 99,500 |
| Affiliate investments (cost of \$21,086,529 and \$20,871,129, respectively) | 16,982,195 | 17,016,795 |
| Non-Control/Non-Affiliate investments (cost of \$15,900,940 and \$15,718,690, respectively) | 15,148,528 | 15,167,767 |
| Total investments, at fair value (cost of \$37,086,969 and \$36,689,319, respectively) | 32,230,223 | 32,284,062 |
| Cash | 5,499,266 | 6,262,039 |
| Interest receivable (net of allowance: \$206,900 at 3/31/18; \$161,000 at 12/31/17) | 168,129 | 231,048 |
| Deferred tax asset | 656,268 | 551,863 |
| Prepaid income taxes | 797,422 | 762,047 |
| Other assets | 82,247 | 42,854 |
| Total assets | \$39,433,555 | \$ 40,133,913 |

LIABILITIES AND STOCKHOLDERS' EQUITY (NET ASSETS)

Liabilities:

| | | |
|---|------------------|------------------|
| Debentures guaranteed by the SBA (net of debt issuance costs) | \$ 7,862,023 | \$ 7,855,173 |
| Profit sharing and bonus payable | - | 144,000 |
| Accounts payable and accrued expenses | 119,739 | 178,348 |
| Deferred revenue | 53,521 | 37,707 |
| Total liabilities | 8,035,283 | 8,215,228 |

Stockholders' equity (net assets):

| | | |
|--|---------------------|----------------------|
| Common stock, \$.10 par; shares authorized 10,000,000; shares issued 6,863,034; | | |
| shares outstanding of 6,321,988 at 3/31/18 and 12/31/17 | 686,304 | 686,304 |
| Capital in excess of par value | 10,581,789 | 10,581,789 |
| Accumulated net investment loss | (1,770,475) | (1,597,146) |
| Undistributed net realized gain on investments | 27,215,738 | 27,215,738 |
| Net unrealized depreciation on investments | (3,845,979) | (3,498,895) |
| Treasury stock, at cost; 541,046 shares | (1,469,105) | (1,469,105) |
| Total stockholders' equity (net assets) (per share \$4.97 at 3/31/18; \$5.05 at 12/31/17) | 31,398,272 | 31,918,685 |
| Total liabilities and stockholders' equity (net assets) | \$39,433,555 | \$ 40,133,913 |

Consolidated Statements of Operations

(Unaudited)

| | For the Quarter Ended March 31, | |
|--|------------------------------------|------------------|
| | 2018 | 2017 |
| Investment income: | | |
| Interest from portfolio companies: | | |
| Affiliate investments | \$ 147,036 | \$ 136,757 |
| Non-Control/Non-Affiliate investments | 150,312 | 109,334 |
| Total interest from portfolio companies | <u>297,348</u> | <u>246,091</u> |
| Interest from other investments: | | |
| Non-Control/Non-Affiliate investments | 5,110 | 10,975 |
| Total interest from other investments | <u>5,110</u> | <u>10,975</u> |
| Dividend and other investment income: | | |
| Affiliate investments | 50,783 | 62,373 |
| Non-Control/Non-Affiliate investments | 3,382 | 2,512 |
| Total dividend and other investment income | <u>54,165</u> | <u>64,885</u> |
| Fee income: | | |
| Affiliate investments | 3,167 | 917 |
| Non-Control/Non-Affiliate investments | 3,019 | 5,769 |
| Total fee income | <u>6,186</u> | <u>6,686</u> |
| Total investment income | <u>362,809</u> | <u>328,637</u> |
| Expenses: | | |
| Salaries | 169,874 | 165,413 |
| Employee benefits | 63,745 | 52,370 |
| Directors' fees | 34,875 | 34,875 |
| Professional fees | 101,687 | 84,002 |
| Stockholders and office operating | 64,439 | 67,210 |
| Insurance | 11,988 | 11,302 |
| Corporate development | 15,796 | 21,708 |
| Other operating | 2,691 | 1,960 |
| | <u>465,095</u> | <u>438,840</u> |
| Interest on SBA obligations | 77,569 | 77,569 |
| Bad debt expense | 45,900 | - |
| Total expenses | <u>588,564</u> | <u>516,409</u> |
| Net investment loss before income taxes | <u>(225,755)</u> | <u>(187,772)</u> |
| Income tax (benefit) | <u>(52,426)</u> | <u>(72,508)</u> |

| | | |
|---|----------------------------|----------------------------|
| Net investment (loss) | <u>(173,329)</u> | <u>(115,264)</u> |
| Net change in unrealized depreciation on investments: | | |
| Affiliate investments | (250,000) | - |
| Non-Control/Non-Affiliate investments | <u>(201,489)</u> | <u>(380,644)</u> |
| Change in unrealized depreciation before income tax expense (benefit) | (451,489) | (380,644) |
| Deferred income tax (benefit) | <u>(104,405)</u> | <u>(136,427)</u> |
| Net change in unrealized depreciation on investments | <u>(347,084)</u> | <u>(244,217)</u> |
| Net realized and unrealized (loss) on investments | <u>(347,084)</u> | <u>(244,217)</u> |
| Net (decrease) in net assets from operations | <u>\$ (520,413)</u> | <u>\$ (359,481)</u> |
| Weighted average shares outstanding | 6,321,988 | 6,321,988 |
| Basic and diluted net (decrease) in net assets from operations per share | <u>\$ (0.08)</u> | <u>\$ (0.06)</u> |

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